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The Price of Consols

Author(s): R. H. Inglis Palgrave

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ployment to native industry. Twelve months' experience seems to support the view then taken, and shows further that the collection of the duty involves a good deal of trouble besides raising the question of the proper drawback on exported flour and by-products. It is not likely that any minister will propose a return to such a discredited form of taxation.

The growth of expenditure evidenced by the Budget figures is sufficient to attract attention. The army and navy estimates for 1903-4 come very near to the total expenditure of 1859-60.¹ Even allowing for the probable reduction in army expenditure in succeeding years—£7,000,000 is the South African War expenditure for 1903-4—there is not much room for relief. Threepence off the income tax or the removal of the sugar duty is all that could be accomplished, even should this saving not be counterbalanced by the fresh claims that are always arising. A general rule of strict supervision over expenditure is the only effective remedy, and its application depends on the public opinion of the country.

C. F. BASTABLE

THE PRICE OF CONSOLS

THE low price at which Consols continue to stand has puzzled, or rather it might almost be said, has alarmed a good many people, many of whom probably have overlooked the fact that the diminution of the return from $2\frac{3}{4}$ per cent. to $2\frac{1}{2}$ per cent. within the last few weeks means a considerable permanent diminution in the value of the stock, a diminution which, in one sense, we may place at 10 per cent. of the face value, as it would be necessary to purchase £10 additional stock for every £100 held, to produce the same income—in fact, to bring the return up to what it had been before. Hence, from this cause alone, we need not wonder at the recent very heavy drop in the price. It may appear remarkable, but there is no doubt that many, especially of the smaller holders of Government Stock, have scarcely realised that the 3 per cent. return to which they had been accustomed for so many years is absolutely gone—for while most of the holders had “discounted” the fall long ago, there is generally an uninstructed residuum. The average price of Consols, $2\frac{3}{4}$ per cent. for the years 1895-98, was nearly 109½. At the present time 91-92 is more nearly the price. The fall is something like 16 to 17 per cent. in value. Many other causes besides the reduction in the yield have led to this. In the first place, the amount of the English Public Debt has greatly increased during the last three or four years. In March, 1899, the Public indebtedness was at its lowest point for something like a century, namely, £635,000,000.

¹ £69,000,000 is the sum required for military and naval services. The gross expenditure in 1859-60 was only £70,123,000.

It now approximates £798,000,000. With an increase of more than £160,000,000 in less than four years, coupled with a reduction of 5s. per cent.—one eleventh—in its return, the wonder is, not that there has been a heavy fall, but that it has not been heavier.

Several of the causes which brought about the great rise of 5 or 6 years ago have for the moment vanished. The Sinking Fund—discontinued during the South African war—was in a measure restored in 1902, about £2,000,000 being allocated for that purpose in the Budget estimates of that year. This year it is raised to £5,600,000, with the prospect of increasing to £8,800,000 in 1908. Besides, there are the compulsory investments on account of Government offices and the Savings Banks—both Trustee and the Post Office. These average at the present time about £5,000,000 a year. Including the operation of the Sinking Fund, reduced as it is, we may say, speaking broadly, that for the future a value of from £10,000,000 to £12,000,000 a year in Government Securities will pass from individual holders to official hands. This process had been going on for a very long time up to 1899, and was accompanied by a constant diminution in the Public Debt. For example, between 1886 and 1895¹

the Public Debt was diminished by	£85,000,000
The securities held by the Government increased during		
that time by...	37,000,000

Consequently the Government Securities held by the

Public diminished during that time...	£122,000,000
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Within the last three years there has been a nearly complete reversal of this policy.

If we may estimate that £30,000,000 of the £160,000,000 added to our indebtedness within the last three years has passed into the hands of Government offices through the operation of the Savings Banks, &c., which is probably quite as much as has been dealt with, then this will leave an addition of £130,000,000 new Stock, out of the £160,000,000 mentioned above, in the hands of the public during that time.

We may compare this with the similar sum in round figures removed in ten years out of the hands of the public, between 1886 and 1895. The effect of the movements in 1894 and 1895 was to raise the price from $98\frac{1}{8}$ in January 1894 to $106\frac{5}{8}$ in November 1895. At the present time there is much which still overshadows the market. There is the Transvaal Loan, very large borrowing by our own municipalities and county authorities, and large commitments on the part of industrial undertakings. When we add to all this the fact that the heavy war taxation fell principally on the classes whose savings to

¹ See article, "The Price of the Funds and Government Purchases," *Bankers' Magazine*, December, 1895.

a large extent support the investment market, we need not be surprised at the drop in the price of Consols.

To those who anxiously compare the price of British Government Securities with those of other countries, and doubt whether the prestige of our Securities is as high as it was before the South African war, we need only show the comparative market price of British and Dutch $2\frac{1}{2}$ per cent. Stock at the present time.

The Dutch $2\frac{1}{2}$ per cent. Stock is of very old standing. It was in existence as far back as the year 1712. It stands at the present time at something like 79, the British $2\frac{1}{2}$ per cent. at 92. The yield is the same in both cases. We may trust that the comparison will continue on the present lines.

R. H. INGLIS PALGRAVE

MUNICIPAL PAWNSHOPS

THE idea of municipalising the pawnshop, or rather—as that would imply a monopoly, a thing which the average Englishman views with suspicion—of establishing municipal pawnshops in competition with private institutions is no new one with us. In France and Germany, however, the idea exists in fact, and their experience has by universal testimony been attended with the most satisfactory results. Probably most people have heard of the famous *Mont de Piété* of Paris, in which this needful business is transacted on the collective principle for the poorer classes of the French metropolis. The institution is a national one, and all excess of receipts after the payment of working expenses is applied to public charitable purposes. Some two million articles are accepted in pawn yearly, and only about 10 per cent. are renounced by the borrowers, the rest being eventually redeemed. Should an article on being sold fail to realise the sum advanced upon it by the valuer whose duty it is to fix this, the loss falls upon this official, and in the event of an excess being received it is divided between the borrower and the institution.

The object of placing the pawnshop under public management and control is the laudable one of affording borrowers protection against inordinate usury. The slightest reflection is enough to convince one that the social position and the monetary difficulties of the people who form the larger number of the pawnshop's patrons expose them in a peculiar degree to arbitrary treatment. While, however, municipal pawnshops have never yet been introduced in our midst, indirect and far-going protection has been afforded to their *habitués* by legislative means. The Legislature has hemmed in the pawnbroker's vocation by very important restrictions, alike as to the things he may do and those he may not do; and in the event of misdemeanour serious penalties are held before his eyes. Thus the rate of interest